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February 22, 2011

Ms. Jennifer Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Debit Fee and Routing Regulations – Docket No. R-1404  
Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Ms. Johnson,

"All is lost"

If the debit interchange fee limits are set as proposed, it will have grave consequences for financial institutions even of our size. JM Associates Federal Credit Union (JMAFCU) is an \$85M institution that serves only a single select employee group. JMAFCU prides itself on the services it provides to its member/owners while only charging "abuser fees" to discourage bad financial behavior. We exist to serve our members. The Federal Reserve's implementation of the debit interchange fee limits at the proposed maximum of 12 cents per transaction would turn a 2010 positive net income for JMAFCU into an equivalent loss and JMAFCU would have to begin charging income generating fees to its members.

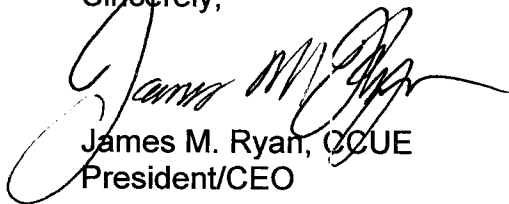
You may think that I misunderstand. I must not realize there is a floor for the application of these rates to institutions of \$10B in assets or more. I, however, do not see any protection in the Act or the Fed's commentary restricting large merchants from pushing the networks to apply the same rates to smaller institutions, nor do I see any discouragement for the networks to adopt the fee limits for smaller institutions in order to attract the large merchants. After all, small institution transactions only represent 20% of network traffic. We are pawns between the merchants and the networks since the big financial institutions have been isolated from this negotiation. I assume incorporating any protection for small institutions would be inappropriate since it would fly in the face of free enterprise. I suppose, as smaller institutions, we are supposed to have faith that we are protected, our members will not be impacted and it will be okay. Right?

Ms Jennifer Johnson  
February 22, 2011  
Page Two

Wrong. In the best case scenario, all is lost. This "consumer act" strips the consumer of the choice of network to use and allows the merchant to decide. The merchant will of course select the network with the lowest fees and adequate fraud protection for the merchant. JMAFCU provides two networks with its debit card program; a signature-based network and a PIN-based network. Our members have shown a preference for the signature network. I think it is fair to assume that at least 50% of the traffic that was traveling through the signature network will be routed by the merchant to the lower cost PIN network. If that is the case, JMAFCU stands to lose \$770,000.00 in income (based on 2010 transaction activity). That figure is based on the current interchange rate difference between signature and PIN and only 50% of the signature traffic. JMAFCU will operate at a loss in this scenario unless it makes significant operating changes.

I have not addressed fraud or the investment to protect against fraud since the basic change in interchange rates or the merchant's choice of networks changes the entire financial structure of offering a debit card program. This does not bode well for small financial institutions or credit unions that are consumer friendly.

Sincerely,



James M. Ryan, CCUE  
President/CEO

JMR/lw